

## ACCOUNTANCY EXAMINING BOARD[193A]

### Notice of Intended Action

**Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”**

**Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.**

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board hereby gives Notice of Intended Action to amend Chapter 1, “Definitions,” Chapter 3, “Certification of CPAs,” Chapter 5, “Licensure Status and Renewal of Certificates and Licenses,” Chapter 6, “Attest and Compilation Services,” Chapter 7, “Certified Public Accounting Firms,” Chapter 8, “Licensed Public Accounting Firms,” Chapter 10, “Continuing Education,” Chapter 11, “Peer Review,” Chapter 13, “Rules of Professional Ethics and Conduct,” and Chapter 14, “Disciplinary Authority and Grounds for Discipline,” Iowa Administrative Code.

The Governor signed 2015 Iowa Acts, Senate File 198, on March 31, 2015. Among other changes, this bill amends Iowa Code chapter 542, the Accountancy Examining Board’s enabling Act. The primary change in 2015 Iowa Acts, Senate File 198, that requires corresponding rule changes is the amendment to the definition of “report” and the associated changes to the breadth of the services that are included within the definition of “attest.”

The proposed amendments are, for the most part, technical in nature and will ensure that the rules mirror 2015 Iowa Acts, Senate File 198, which became effective July 1, 2015.

In addition, the proposed amendments to Chapter 1 align the definition of “audit” to correspond with the definition in the Uniform Accountancy Act model rule and rescind the definition of “ALD.” The proposed amendment to Chapter 3 updates resource information provided to the public. The proposed amendments to Chapter 5 update resource information provided to the public and remove outdated information. The proposed amendments to Chapter 6 correspond to 2015 Iowa Acts, Senate File 198. The proposed amendments to Chapter 7 correspond to 2015 Iowa Acts, Senate File 198, and remove mandatory disclosures that are no longer necessary. The proposed amendments to Chapter 8 remove mandatory disclosures that are no longer necessary. The proposed amendments to Chapter 10 clarify flexible continuing education deadlines. The proposed amendments to Chapter 11 correspond to 2015 Iowa Acts, Senate File 198. Several of the proposed amendments to Chapter 13 provide for flexible continuing education deadlines, and others correspond to 2015 Iowa Acts, Senate File 198. The proposed amendment to Chapter 14 corresponds to 2015 Iowa Acts, Senate File 198.

Any interested person may make written or oral suggestions or comments on the proposed amendments on or before July 28, 2015. Comments should be directed to Robert Lampe, Executive Officer, Iowa Accountancy Examining Board, 200 E. Grand Avenue, Suite 350, Des Moines, Iowa 50309; by telephone at (515)725-9024; or by e-mail to [robert.lampe@iowa.gov](mailto:robert.lampe@iowa.gov).

A public hearing will be held at 9 a.m. on July 28, 2015, at the offices of the Professional Licensing Bureau, 200 E. Grand Avenue, Suite 350, Des Moines, Iowa. At the hearing, persons who wish to speak will be asked to give their names and addresses for the record and to confine their remarks to the subject of the proposed amendments.

Any person who plans to attend the public hearing and has special requirements, such as those related to hearing or mobility impairments, should contact the Board to discuss specific needs.

There is no fiscal impact. No current fees are being changed, and no new fees are being imposed.

These amendments are subject to waiver or variance pursuant to 193—Chapter 5.

These amendments were approved by the Board on May 20, 2015.

After analysis and review of this rule making, no impact on jobs has been found.

These amendments are intended to implement Iowa Code chapter 542 as amended by 2015 Iowa Acts, Senate File 198.

The following amendments are proposed.

ITEM 1. Rescind the definition of “ALD” in rule **193A—1.1(542)**.

ITEM 2. Amend rule **193A—1.1(542)**, definitions of “Audit” and “Report,” as follows:

*“Audit”* means ~~an examination of financial statements by a CPA, conducted in accordance with generally accepted auditing standards accompanied by the CPA’s opinion as to whether the statements conform with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting~~ the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial or other information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

*“Report,”* when used with reference to ~~financial statements~~ any attest or compilation services, means a report, opinion, or other form of a writing that states or implies assurance as to the reliability of ~~any the attested information or compiled~~ financial statements and that includes or is accompanied by a statement or implication that the person or firm issuing the report has special knowledge or competence in accounting or auditing. Such statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. “Report” includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply a positive assurance as to the reliability of the ~~attested information or compiled~~ financial statements referred to or special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

ITEM 3. Amend rule 193A—3.2(542) as follows:

**193A—3.2(542) Colleges or universities recognized by the board.** Iowa Code section 542.5, in providing for educational qualifications for a certificate as a certified public accountant, refers to colleges or universities “recognized by the board.” For such purpose, the board recognizes educational institutions accredited by the ~~American Assembly of Collegiate Schools of Business Association~~ to Advance Collegiate Schools of Business and the regional accrediting bodies listed in the current publication of the Accredited Institutions of Post Secondary Education, which listing is made a part of these rules by reference.

This rule is intended to implement Iowa Code section 542.5.

ITEM 4. Amend subrule 5.1(6) as follows:

**5.1(6)** Exercising a practice privilege in Iowa or for a client with a home office in Iowa while holding an inactive or lapsed Iowa CPA certificate places a special burden on the individual to ensure that the public is informed about the individual’s licensure status in Iowa and in the jurisdiction of active licensure, as provided in 193A—paragraphs 20.8(2)“b” and 20.8(3)“b.” As a practical matter, an individual’s failure to clarify licensure status in Iowa and in the jurisdiction of the individual’s principal place of business may confuse the public. However, the public may consult ~~ALD~~ CPAverify, a comprehensive national data bank, to verify an individual’s licensure in another jurisdiction. ~~ALD~~ CPAverify may be accessed at [www.NASBA.org](http://www.NASBA.org) [www.cpaverify.org](http://www.cpaverify.org). A client contacting the board or consulting the board’s Web site will be informed of the individual’s licensure status in Iowa ~~and in the individual’s jurisdiction of active licensure~~.

ITEM 5. Amend rule 193A—5.3(542), catchwords, as follows:

**193A—5.3(542) ~~Renewal of license that expires on or after June 30, 2011~~ License renewal.**

ITEM 6. Amend subrule 5.3(1) as follows:

**5.3(1)** Licenses issued pursuant to Iowa Code section 542.6 (CPA certificates), 542.8 (LPA licenses), or 542.19 (CPA certificates by substantial equivalency) ~~that expire on June 30, 2011, and thereafter~~ shall be renewed on an annual basis; and shall expire on June 30 of each year. Licenses shall be renewed through electronic on-line renewal, except that licensees who are ineligible to renew on line because they must disclose a criminal conviction or disciplinary order, or for other cause, shall renew upon forms that may be obtained from the board office or on the board's Web site. An annual renewal fee will be charged.

ITEM 7. Rescind subrule 5.3(2) and adopt the following **new** subrule in lieu thereof:

**5.3(2)** The board plans to develop a renewal process in which a firm permit to practice and the individual licenses associated with the firm may be renewed together. The board shall adopt rules governing the combined renewal process when further details are known and the technological means to implement the process are in place.

ITEM 8. Rescind subrules **5.3(3)** and **5.3(4)**.

ITEM 9. Amend subrule 6.1(3) as follows:

**6.1(3)** CPAs performing attest services, whether ~~the CPAs are~~ certified in Iowa or exercising a practice privilege, must do so in a CPA firm that holds a permit to practice pursuant to Iowa Code section 542.7. However, a CPA exercising a practice privilege who works for an out-of-state CPA firm that does not hold a permit to practice under Iowa Code section 542.7 may provide review services in Iowa or for a client with a home office in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, ~~as amended by 2012 Iowa Acts, Senate File 2122,~~ and associated rules.

ITEM 10. Amend subrule 6.1(4) as follows:

**6.1(4)** CPAs who are responsible for supervising attest services for a CPA firm or who sign or authorize someone to sign the accountant's report ~~on the financial statements~~ on behalf of a CPA firm shall satisfy the experience or competency requirements established by nationally recognized professional standards that are applicable to the attest services performed and shall, at a minimum, satisfy the experience requirements of rule 193A—6.2(542).

ITEM 11. Amend subrule 6.2(1) as follows:

**6.2(1)** A CPA who is responsible for supervising attest services or who signs or authorizes someone to sign the accountant's report ~~on financial statements~~ on behalf of a firm shall have two years of full-time or part-time equivalent experience that extends over a period of no less than two years and includes no fewer than 4,000 hours, at least 2,000 of which shall be in providing attest services under the supervision of one or more CPAs responsible for supervising attest services on behalf of a CPA firm that holds a permit to practice in Iowa or an equivalent form of CPA firm licensure in another jurisdiction.

ITEM 12. Amend paragraph **6.2(2)“e”** as follows:

*e.* Experience in the preparation and analysis of reports and financial statements together with explanations and notes thereon.

ITEM 13. Rescind subrule **6.3(3)**.

ITEM 14. Renumber subrule **6.3(4)** as **6.3(3)**.

ITEM 15. Amend renumbered subrule 6.3(3) as follows:

**6.3(3)** ~~Beginning July 1, 2009, when the practice privilege provisions of Iowa Code chapter 542 become effective, attest qualification may be attained or established~~ CPAs who did not hold a permit to practice prior to July 1, 2002, may attain or establish attest qualification as follows:

*a.* Applicants may apply for attest qualification when initially applying for a certificate as an Iowa CPA under Iowa Code section 542.6; or when applying for reciprocal Iowa certification under Iowa Code section 542.19.

b. Iowa CPA certificate holders may apply for attest qualification at any time at which they are qualified to do so.

c. Out-of-state CPAs performing attest services while exercising a practice privilege under Iowa Code section 542.20 are not required to individually apply to the board for attest qualification, but the Iowa CPA firm in which such attest services are performed shall affirm when applying for an initial or renewal firm permit to practice that the CPAs who supervise attest services for the firm or who sign or authorize someone to sign the accountant's report ~~on the financial statements~~ on behalf of the firm, as such attest services are or will in the following year be performed in Iowa or for a client with a home office in Iowa, have been qualified to perform attest services in Iowa or another jurisdiction.

ITEM 16. Amend paragraph **7.1(5)“c”** as follows:

c. Designate an Iowa CPA or person with a practice privilege under Iowa Code section 542.20 who is responsible for supervising attest services or who will sign or authorize someone to sign the accountant's report ~~on financial statements~~ on behalf of the firm, as such attest services will be performed in Iowa or for a client with a home office in Iowa; and

ITEM 17. Amend paragraph **7.2(3)“b”** as follows:

b. Based on the firm's failure to comply with the requirements of Iowa Code section 542.7 including, but not limited to, a failure to make the designations described in subrule 7.1(5) or a failure to sustain the simple majority of ownership required by Iowa Code section 542.7(3); or

ITEM 18. Adopt the following new paragraph **7.2(3)“c”**:

c. Based on a regulatory or disciplinary action or criminal conviction described in subrules 7.3(14) and 7.3(15) against any of the firm's licensed or unlicensed owners.

ITEM 19. Amend subrule 7.3(1) as follows:

**7.3(1)** The lawful name of the firm ~~and any trade or assumed names, or aliases the firm will use in Iowa or when communicating with Iowans.~~

ITEM 20. Amend subrule 7.3(3) as follows:

**7.3(3)** Contact information for the principal place of business of the firm and each Iowa office; ~~including name, physical address, mailing address, telephone number, facsimile number, E-mail address, and Web-site address.~~

ITEM 21. Amend subrule 7.3(4) as follows:

**7.3(4)** All jurisdictions in which the firm is licensed or has applied for licensure; ~~all unexpired firm license numbers, and the expiration date of each license.~~

ITEM 22. Amend subrule 7.3(5) as follows:

**7.3(5)** The names, licensure, and contact information for all persons described in subrule 7.1(5); ~~including name, title, physical address, mailing address, telephone number, facsimile number, E-mail address, jurisdiction of the person's principal place of business, and the certificate number and expiration date of the certificate held in the person's principal place of business.~~

ITEM 23. Amend subrule 7.3(8) as follows:

**7.3(8)** ~~The identity of all owners (e.g., partners, shareholders, or members) of the firm who perform professional services in Iowa or for a client with a home office in Iowa, including sufficient~~ Sufficient information from which the board can determine that a simple majority of owners hold a CPA certificate under Iowa Code section 542.6 or 542.19 or hold a CPA certificate in another state and are eligible to exercise a practice privilege under Iowa Code section 542.20. ~~The board may modify this requirement on the application form as warranted to secure only the information the board deems reasonably needed and may accept an affirmation, subject to audit.~~ The board reserves the right to require at any time a full list of owners, or a targeted sublist, such as a list of those persons who perform services from an Iowa office or those who perform attest or compilation services in Iowa or for a client with a home office in Iowa.

ITEM 24. Amend subrule 7.3(9) as follows:

**7.3(9)** The affirmation described in 193A—~~paragraph 6.3(4)“c.”~~ 6.3(3)“c.”

ITEM 25. Amend subrule 7.3(10) as follows:

**7.3(10)** Affirmation that all CPAs who are responsible for supervising attest services for the CPA firm or who sign or authorize someone to sign the accountant's report ~~on the financial statements~~ on behalf of the CPA firm satisfy the experience or competency requirements established by nationally recognized professional standards that are applicable to the attest services performed in Iowa or for clients with a home office in Iowa.

ITEM 26. Rescind subrule **7.7(1)**.

ITEM 27. Renumber subrules **7.7(2)** to **7.7(5)** as **7.7(1)** to **7.7(4)**.

ITEM 28. Amend subrule 8.1(2) as follows:

**8.1(2)** The application may be obtained from the board office or on the board's Web site and shall ~~list the names of all licensed or unlicensed owners, provide sufficient information from which the board can determine that a simple majority of whom shall owners hold licenses issued under Iowa Code section 542.8 or certificates issued under Iowa Code section 542.6 or 542.19, be~~ eligible to practice under practice privilege pursuant to Iowa Code section 542.20, or otherwise hold a license or certificate to practice public accounting in another state. At least one owner must be licensed under Iowa Code section 542.8.

ITEM 29. Amend subrule 8.1(3) as follows:

**8.1(3)** The application shall list the name, title, ~~physical address, mailing address, telephone number, facsimile number, E-mail address, jurisdiction(s) of individual licensure or certification, principal place of business, each license or certificate number, and the expiration date of each license or certificate of any licensure, and contact information for each licensee or practice privilege practitioner who is responsible for supervising compilation services and who signs or authorizes someone to sign the accountant's report on financial statements on behalf of the firm.~~ The application shall affirm that any licensee listed meets the competency requirements set forth in SSARS and holds a valid license or certificate issued under Iowa Code section 542.6, 542.8, or 542.19 or is eligible to exercise a practice privilege under Iowa Code section 542.20.

ITEM 30. Amend subrule 8.1(4) as follows:

**8.1(4)** The application shall list the physical location and contact information (~~telephone number, E-mail address, facsimile number, and Web site address~~) for all offices within this state and the licensee in charge of each such office. ~~For each such designated licensee, the jurisdiction(s) of licensure, license or certificate number, and expiration date of each license or certificate shall also be listed.~~

ITEM 31. Amend rule 193A—10.5(542) as follows:

**193A—10.5(542) Basic requirement.**

**10.5(1)** ~~During the three-year period ending on the December 31 preceding the July 1 renewal date of the certificate or license~~ Except as provided in subrules 10.5(2) to 10.5(7), an applicant for renewal shall have completed 120 hours of qualifying continuing professional education subject to the following exceptions: during the three-year period ending on the December 31 or June 30 preceding the July 1 renewal date of the certificate or license. The following conditions shall apply:

a. On each online or paper renewal, a CPA or LPA shall self-select December 31 or June 30 as the date by which continuing education requirements must be satisfied in order to be eligible to renew the certificate or license.

b. A CPA or LPA applying to renew a certificate or license may declare a continuing education deadline of December 31 in one renewal cycle and a continuing education deadline of June 30 in a subsequent renewal cycle, and vice versa.

c. Licensees shall maintain continuing education records in a manner that corresponds with the self-selected continuing education deadline of December 31 or June 30.

d. When declaring a June 30 continuing education deadline, licensees must be cautious to ensure that the continuing education is fully completed on or prior to the date the renewal application is submitted to the board.

e. Licensees who renew with penalty during the 30-day grace period following June 30 must declare either December 31 or June 30 as the continuing education deadline and may not extend the deadline beyond June 30.

~~10.5(1)~~ **10.5(2)** At the first annual renewal date of July 1 that is less than 12 months from the date of filing of the initial application for the certificate or license, the certificate holder or license holder shall not be required to report continuing professional education.

~~10.5(2)~~ **10.5(3)** At the annual renewal date of July 1 that is 12 months or more than 12 months, but less than 24 months, from the date of filing of the initial application for the certificate or license, the certificate holder or license holder shall report 40 hours of continuing professional education earned in the one-year period ending December 31 or June 30 prior to the July 1 renewal date.

~~10.5(3)~~ **10.5(4)** At the annual renewal date of July 1 that is 24 months or more than 24 months, but less than 36 months, from the date of filing of the initial application for the certificate or license, the certificate holder or license holder shall report 80 hours of continuing professional education earned in the two-year period ending December 31 or June 30 prior to the July 1 renewal date.

~~10.5(4)~~ An applicant who wishes to restore a certificate or license to active status must meet the basic requirement of 120 hours of continuing professional education earned in the preceding three-year period prior to the date of application to restore active status.

**10.5(5)** A licensee shall be deemed to have complied with the requirements of this rule if, for the period that the licensee is a resident of another state or district having a continuing professional education requirement, the licensee met the resident state's mandatory requirement.

**10.5(6)** The board shall have authority to make exceptions for reasons of individual hardship including health, certified by a medical doctor, military service, foreign residency, retirement, or other good cause. No exceptions shall be made solely because of age. Applicants entitled to a full or partial exception under the provisions of Iowa Code section 272C.2, subsection 4, for active military service or government service outside of the United States may request an exception by submitting acceptable documentation as applicable to the exception requested. Applicants seeking an exception on other grounds of undue hardship must submit an application for waiver or variance as provided in 193—Chapter 5.

**10.5(7)** Licensees who apply to reinstate a lapsed or inactive certificate or license to active status pursuant to 193A—subrule 5.6(3) or 5.9(7) shall satisfy the basic requirement of 120 hours of continuing professional education earned in the preceding three-year period prior to the date of the application, including all required mandatory education described in rule 193A—10.7(542), to reinstate on an annual renewal schedule, modified as needed to incorporate the phase-in schedule for initial licensees described in subrules 10.5(1) to 10.5(3). Once the certificate or license is reinstated, the basic requirement shall apply at each subsequent renewal. The 120-hour requirement described in this subrule shall be modified as needed to incorporate the phase-in schedule for initial licensees described in subrules 10.5(2) to 10.5(4).

ITEM 32. Amend subrule 10.7(1) as follows:

**10.7(1)** Every CPA certificate holder or LPA license holder who is responsible for supervising compilation services or who signs or authorizes someone to sign the accountant's compilation report on the financial statements on behalf of a firm shall complete, as a condition of certificate or license renewal, a minimum of eight hours of continuing professional education devoted to financial statement presentation, such as courses covering the statements on standards for accounting and review services (SSARS) and accounting and auditing updates. When required, the financial statement presentation continuing education shall be completed within the three-year period ending on the December 31 or June 30 preceding the application for certificate or license renewal. For credit to be claimed for a course covering multiple topics, a minimum of one hour as outlined in subrule 10.6(1) shall be devoted to financial statement presentation. For example, if a seminar or presentation is conducted for a total of four hours and only one hour is devoted to financial statement presentation, then only one hour shall be claimed toward meeting the requirement of this subrule.

ITEM 33. Amend subrule 10.7(2), introductory paragraph, as follows:

**10.7(2)** Every CPA certificate holder or LPA license holder shall complete a minimum of four hours of continuing education devoted to ethics and rules of professional conduct during the three-year period ending December 31 or June 30, prior to the July 1 annual renewal date. For a course to qualify to meet this requirement, the course description shall clearly outline the subject matter covered as professional or business ethics. If credit is to be claimed for a course covering multiple topics, a minimum of one hour as outlined in rule 193A—10.6(542), measurement standards, specifically in subrule 10.6(1), shall be devoted to business or professional ethics. For example, if a seminar or presentation is conducted for a total of four hours and only one hour is devoted to business or professional ethics, then only one hour shall be claimed toward meeting the requirement of this subrule. Ethics courses, which are defined as courses dealing with regulatory and behavioral ethics, shall be limited to courses on the following:

ITEM 34. Amend rule 193A—11.1(542) as follows:

**193A—11.1(542) Peer review required.** As a condition of renewal for a CPA or LPA who issues compilation reports other than through a CPA or LPA firm which holds a permit to practice, and as a condition of permit renewal for LPA firms which issue compilation reports or CPA firms which provide attest services or issue compilation reports, the applicant shall submit certification of completion of a peer review issued pursuant to this chapter. Such review shall be completed at the highest level of service provided by the firm or licensee. Preparation services under SSARS 21 do not require peer review.

ITEM 35. Amend rule 193A—11.3(542) as follows:

**193A—11.3(542) System of internal quality control.** If the firm has not ~~issued reports on financial statements~~ performed any attest or compilation services prior to the application for renewal, the firm shall have in place a system of internal quality control prior to the commencement of ~~a financial reporting an engagement~~; including attest or compilation services and shall come into compliance with the peer review requirement within 18 months of completion of ~~a financial reporting an engagement including attest or compilation services.~~

ITEM 36. Amend subrule 13.4(3) as follows:

**13.4(3) Engagement standards.** Unless they have complied with applicable generally accepted engagement standards, CPAs and LPAs shall not permit their names to be ~~associated~~ linked with ~~financial statements~~ a report associated with any attest or compilation service. The board will consider the American Institute of Certified Public Accountants Professional Standards, Public Company Accounting Oversight Board, International Accounting Standards Board, Statements on Auditing Standards, and Statements on Standards for Accounting and Review Services as sources of interpretations of generally accepted engagement standards.

ITEM 37. Amend subrule 13.4(5) as follows:

**13.4(5) Requirements of governmental bodies, commissions, or other regulatory agencies.**

a. Many governmental bodies, commissions, or other regulatory agencies have established requirements, such as audit standards, guides, rules and regulations, that CPAs are required to follow in preparation of reports, financial statements or related information, such as management's discussion or analysis, and in performing attest or similar services for entities subject to the jurisdiction of the governmental bodies, commissions, or regulatory agencies. For example, the Securities and Exchange Commission, Government Accountability Office, office of auditor of state, state insurance division and other regulatory agencies have established such requirements.

b. A CPA shall not prepare reports, financial statements or related information for the purposes of reporting to such bodies, commissions, or regulatory agencies, unless the CPA agrees to follow the requirements of such organizations in addition to generally accepted auditing standards, where applicable, unless the CPA discloses in the financial statements or the accountant's report that such requirements were not followed.

ITEM 38. Amend subrule 13.4(16) as follows:

**13.4(16) Accounting principles.** A CPA or LPA shall not state in the CPA's or LPA's report ~~on financial statements~~ that the financial statements ~~are~~ or other information ~~is presented in conformity with generally accepted accounting principles if such financial statements contain~~ report contains any departure from such accounting principles which has a material effect on the ~~financial statements report~~ taken as a whole, unless the CPA or LPA can demonstrate that by reason of unusual circumstances the ~~financial statements report~~ would otherwise have been misleading. In such cases, the accountant's report must describe the departure, the approximate effects thereof, if practicable, and the reasons why compliance with the principle(s) would result in a misleading statement. The board will consider the pronouncements issued by the Financial Accounting Standards Board and its predecessor entities as sources of interpretations of generally accepted accounting principles.

ITEM 39. Amend subrule 13.4(26) as follows:

**13.4(26) Mandatory ethics continuing professional education.** Every CPA certificate holder or LPA license holder shall complete a minimum of four hours of continuing professional education devoted to ethics and rules of professional conduct during the three-year period ending December 31 ~~or June 30~~, prior to the July 1 annual renewal date. This requirement is more fully described in 193A—subrule 10.7(2).

ITEM 40. Amend subrule **13.6(1)**, definition of "Audit," as follows:

*"Audit"* means ~~an examination of financial statements by a CPA, conducted in accordance with generally accepted auditing standards accompanied by the CPA's opinion as to whether the statements conform with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting~~ the procedures performed in accordance with applicable auditing standards for the purpose of expressing or disclaiming an opinion on the fairness with which the historical financial or other information is presented in conformity with generally accepted accounting principles, another comprehensive basis of accounting, or basis of accounting described in the report.

ITEM 41. Amend subrule 13.6(2) as follows:

**13.6(2) Practice privilege.** All audit, review, and other attest services performed in Iowa or for a client with a home office in Iowa must be performed through a CPA firm that holds an active Iowa firm permit to practice; provided that, an out-of-state CPA firm exercising a practice privilege may perform review services in Iowa or for a client with a home office in Iowa without first obtaining a firm permit to practice in Iowa as long as the firm complies with Iowa Code section 542.20, subsections 5 and 6, ~~as amended by 2012 Iowa Acts, Senate File 2122~~, and associated rules. Unless Iowa certification is specifically required by a governmental body or client, the individual CPAs performing such attest services may either hold an active Iowa CPA certificate or exercise a practice privilege as more fully described in Iowa Code section 542.20 ~~as amended by 2012 Iowa Acts, Senate File 2122~~. LPAs and LPA firms are not authorized to perform attest services.

ITEM 42. Amend subrule 13.6(4), introductory paragraph, as follows:

**13.6(4) Independence.** A CPA or CPA firm shall not issue a report on ~~financial statements~~ of a client in such a manner as to imply that the CPA is acting as an independent public accountant with respect thereto unless the CPA is independent with respect to such client. Independence will be considered to be impaired if, for example:

ITEM 43. Amend paragraph **13.6(4)"b,"** introductory paragraph, as follows:

*b.* During the period covered by the ~~financial statements reports~~, during the period of the professional engagement, or at the time of expressing an opinion, the licensee:

ITEM 44. Amend paragraph **14.3(5)"d"** as follows:

*d.* Performing attest services as a firm without holding a permit to practice pursuant to Iowa Code section 542.7, or without ensuring that the individuals responsible for supervising attest services or signing or authorizing someone to sign the accountant's report ~~on financial statements~~ are attest qualified, hold the required certification or are eligible to exercise a practice privilege, or otherwise performing attest services in a manner inconsistent with Iowa Code chapter 542 and 193A—Chapters 6 and 7.